Congress of the United States

Washington, DC 20515

January 15, 2004

Honorable George W. Bush
The White House
Washington, D.C. 20500

Dear Mr. President:

When you took office in January of 2001, both the Congressional Budget Office (CBO) and your Office of Management and Budget (OMB) projected that there would be a $5.6 trillion federal surplus over 10 years if policies then in effect remained unchanged. You asserted that we could have tax cuts without fear of budget deficits:

> *Tax relief is central to my plan to encourage economic growth, and we can proceed with tax relief without fear of budget deficits, even if the economy softens.*

This obviously has not turned out to be true. Instead, our nation's fiscal situation has deteriorated each year you have been in office. For the fiscal year that ended in September, the federal government recorded a deficit of $375 billion, the largest in history. According to CBO and OMB, the deficit will be larger this year.

Even more troubling, highly respected, nonpartisan organizations (such as the Concord Coalition, the Committee for Economic Development, and the Center on Budget and Policy Priorities, as well as the financial firm Goldman, Sachs and Company), project that annual deficits under your policies will remain significantly above last year's level for at least the next 10 years, by which time the retirement of the baby boom population will already have begun to push deficits even higher. As a result, former Treasury Secretary Robert Rubin and others recently concluded that in the absence of major changes to your policies, federal deficits will total $5 trillion over the next decade. And this already assumes that the economy's recent surge constitutes the beginning of a sustained period of robust growth. Large and permanent deficits while the economy is growing will crowd out private investment, push up interest rates, and slow growth – perhaps threatening the economic expansion.

Administration officials have been quoted recently as promising that your forthcoming budget will cut the deficit in half over the next five years from the record level projected for fiscal year 2004. However, we believe that the pressing need for fiscal responsibility demands a higher standard. With a projected starting point of yet another record-high deficit (about $500 billion), even if your goal is achieved, the nation would still be left with deficit levels previous Democratic and Republican Administrations found unacceptable and add trillions of dollars to the national debt, all while the economy is projected to grow at a healthy pace. Therefore, if you are serious about addressing the real fiscal challenges facing this nation, you must reject annual deficits of hundreds of billions of dollars and adjust your budget policies accordingly.

You can take the first step toward this end by making certain your FY 2005 budget provides Congress and the American people full and accurate information about the fiscal outlook and the effects of the policies you propose. In this regard, we would appreciate answers as soon as possible to the following questions about your February 2004 budget submission:

- Last year, your budget provided complete information only for the first five years of the budget window, in contrast to the recent practice of full 10-year budgets. In light of the fact that the first wave of baby boomers will become eligible for Social Security retirement benefits in 2008 and the cost to the government of providing promised Social Security, Medicare, and other benefits will begin to swell in the years that follow, will your budget cover at least the 10-year period through fiscal year 2014 so that it will more fully reflect this universally recognized fiscal challenge?

- The tax cuts you proposed last year (including making your 2001 tax cuts permanent) will cost $12.1 trillion to $14.2 trillion over 75 years on a net present value basis. That is greater than the $10 trillion total projected actuarial deficits for Social Security and Medicare over the next 75 years. In fact, the cost of the Lifetime Savings Account/Retirement Savings Account proposal in your budget last year – which the press reports you may revive in your new budget – would alone equal about one half of the Social Security long-term deficit.

  Will your FY 2005 budget address the long-term needs of Social Security and Medicare, protecting these vital programs for future generations? Where would the estimated $1 trillion needed over the next 10 years to fund any of the three plans proposed by your Social Security Commission come from? Do you propose to simply add that cost to the federal debt?

- More than $150 billion has already been appropriated for military actions in Iraq and Afghanistan, none of which has been included in your regular budget submissions. It is clear that further funds will be needed to support our troops in those countries. Will you include those funds in your budget, or will you once again leave those costs out of the budget?

- Last year you opposed maintaining pay levels for our troops deployed overseas in hostile areas, opposed increasing access to health care for our reservists and their families, and proposed increasing fees and restricting access to medical care for veterans. In this year's budget, will you instead include proposals that will allow us to keep the commitment we have made to our current soldiers, their families, and the veterans who have served our country in the past?

We look forward to your response to these questions about the contents of your upcoming budget submission.

More importantly, we hope that your new budget will represent a fundamental shift in your fiscal policies. The policies put in place in the last three years put the nation on an unsustainable fiscal path that will inevitably begin to erode economic growth. Recent warnings of the cost of continuing on the current path by the International Monetary Fund, former Treasury Secretary Rubin, and the Congressional Budget Office should not be ignored. We urge you to take heed and submit a budget for fiscal year 2005 that puts the nation back on a fiscally responsible path. We pledge to work with you and our Republican colleagues in the Congress in support of a sincere effort to accomplish that crucial goal in a fair and equitable manner. To that end, we request that you meet with us and our Republican Congressional counterparts, to discuss these critical budget questions.

Sincerely,

Tom Daschle
Democratic Leader
U.S. Senate

Nancy Pelosi
Democratic Leader
U.S. House of Representatives

Kent Conrad
Ranking Democrat
Committee on the Budget
U.S. Senate

John M. Spratt, Jr.
Ranking Democrat
Committee on the Budget
U.S. House of Representatives